Congress of the United States
House of Representatives
Washington, DC 20515

January 30, 2007

Mr. Ottón Solís
Chairman, Political Commission
Citizens Action Party
Sede Central
San Pedro de Montes de Oca
San Jose, Costa Rica

Dear Mr. Solís:

We are writing in response to your letter of January 24, 2007, which seeks specific clarification as to whether Costa Rica would lose its Caribbean Basin Initiative ("CBI") benefits if it chooses not to ratify the Dominican Republic-Central America Free Trade Agreement ("DR-CAFTA").

Since 1974, with the onset of the Generalized System of Preferences, benefits under U.S. trade preference programs have not been conditioned on beneficiary countries agreeing to enter into free trade agreements. When this kind of conditionality was proposed in the last Congress with respect to extension of the Andean Trade Preferences Act, we opposed this approach. Therefore, we would like to make clear our longstanding position that we do not favor making continuation of benefits under the CBI to any beneficiary country contingent on that country entering into an FTA with the United States.

To further clarify, the DR-CAFTA Implementation Act does not require the withdrawal of CBI benefits should any country, including Costa Rica, fail to ratify and implement the DR-CAFTA. However, DR-CAFTA does provide that CBI benefits will cease when it enters into force in each respective DR-CAFTA country (all six countries are CBI beneficiaries). As you correctly note in your letter, CBI benefits are permanent with the exception of temporary preferences that extend to certain textile and apparel products – which expire on the earlier of September 30, 2008, or when the Free Trade Agreement of the Americas enters into force – as provided for in CBI enhancement legislation enacted in 2000. Therefore, eliminating the basic CBI program would require an act of

Congress. It is extremely unlikely that the current Congress would take legislative action that eliminates or undermines this important program or its beneficiaries.

Alternatively, under the statute, the President has the authority to terminate a county's CBI benefits for failing to meet specific criteria, but only after he notifies Congress and the United States Trade Representative accepts public comments and then holds a hearing on the proposed action. Thus, the only way Costa Rica could lose its CBI benefits is if the President, in following the above procedures, affirmatively terminates its eligibility for failing to meet the criteria specified by statute including, among others, nationalization or expropriation of U.S.-owned property, failure to recognize or enforce binding arbitral awards in favor of U.S. citizens and corporations, and failing to afford internationally recognized workers rights. Notably, there is no provision in the statute that would permit the President to withdraw benefits if a beneficiary country failed to implement an FTA.

Sincerely,

Charles B. Rangel
Chairman
Ways & Means Committee

Sander M. Levin
Chairman
Ways & Means Trade Subcommittee